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11. (SBU) Summary: In this Dispatch, we learn that Shanghai Party Secretary Xi enjoys the opera, SOE executives have unlimited expense accounts for domestic trips, Chinese millionaires love conventions, Ferrari training for beginners is available at a price, visa applicants are getting younger and Shanghai has the most expensive taxis. This is the second in a series of periodic short-subject cables designed to offer more anecdotal reflections on life in East China. End Summary.

Party Secretary Xi Jinping Enjoys Night at the Opera

12. (SBU) The Consul General unexpectedly encountered Shanghai's new Party Secretary at a weekend performance of a local style of Peking Opera. Xi and his wife, a professional singer of western opera, sat in the audience without any entourage -- except for the head of the opera troupe -- and were not recognized by other patrons until the CG struck up a conversation during the intermission. The CG had become aware of Xi's presence because of a running conversation Xi was having with the opera troupe director. The CG, who was sitting virtually in front of Xi, turned around to see who was responsible for the racket only to discover that it was Shanghai's top leader. After the performance, Xi slipped away without any fanfare. The opera was devoted to the love story of a Tang dynasty (618 to 907 C.E.) emperor and his favorite concubine Yang Guifei, one of China's greatest beauties.

Expat with SOE Surprised at Per Diem and Benefit Arrangements

13. (SBU) A western businessman working for one of China's most prominent auto makers expressed amusement at his firm's odd per diem and benefit system for top executives. For international travel, per diem was capped at \$90 a day, regardless of the location. The expat said this was true for all state-owned enterprises (SOE). When he was in China, however, he had an unlimited expense account -- at all times, not just when he traveled. The company would reimburse him for anything he bought in China. Since most top executives were out of pocket on foreign trips, he said they typically looked for ways to make up the difference by padding expenses when in China. Although this particular executive did not seek reimbursement for all his in-country expenses, he said his immediate staff was always

urging him to do so.

Millionaire Fair

14. (U) On June 1-3, Shanghai once again played host to the Millionaire Fair. The fair was begun six years ago by Amsterdam-based Gijrath Media Groep BV (GMG) publishing company with the purpose of bringing together readers of its "Millionaire" magazine and advertisers. Previous fairs were held in the Netherlands, Russia, France, and Belgium. This was the second time the fair was held at the Shanghai Exhibition Center which is also used for the Shanghai Municipal Party Congress and other governmental meetings. This year's fair attracted 14,000 guests, mostly from Shanghai, Zhejiang Province, Hong Kong, and Taiwan. To keep the riff-raff from attending, tickets cost approximately RMB 800 (USD 105) for daytime sessions and RMB 1800 (USD 237) for the evening sessions when guests were instructed to wear formal attire.

15. (U) After walking the red carpet, guests entered a large convention hall filled with booths showcasing luxury goods. What were the Chinese millionaires interested in? There were booths advertising the usual luxury goods such as jewelry, whiskey, and art. There were also booths that sold poodles (one sold for RMB 120,000 or USD 15,789), investment deals in Australia and Great Britain, and modern furniture. This was just the latest fair that has targeted China's new millionaires. According to the fair's website, the Chinese are now the world's third-largest consumer of high-end fashions, accessories and other luxury goods and in ten years China is expected to overtake Japan as the world's top market for luxury goods. Shanghai held a boat show in April and will also host a luxury property show and a luxury travel fair in the upcoming months.

Anyone Need a Racetrack?

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16. (U) During a July 2 discussion, one of our high-flying contacts reported that he had just returned from two days of private racing instruction at the Formula One Racetrack in Anting. The track had been rented June 28-29 by Ferrari to provide training for China's "beginner" level Ferrari owners to teach them how to get the most out of their vehicles. Our contact - himself a novice Ferrari owner - said that there were a total of 120 Ferraris in China, 30 percent of which were in Shanghai. Eighteen drivers from Shanghai, Zhejiang, Beijing and Taiwan attended the exclusive event, each paying an undisclosed - and presumably outrageous - fee for the privilege of having private lessons with world class racing instructors on China's best race track. Unfortunately, advanced driving training was only available in Italy. And who says consumer spending isn't alive and well in China?

Visa Applicants Getting Younger, Visa Officers Feeling Older

17. (U) No, the interviewing officers on the visa line aren't just imagining it - the students in Shanghai really are getting younger. Consulate's Visa section did a quick run of the numbers to determine if the anecdotal evidence was, in fact, accurate. The results: the number of students aged 17 and under applying for F1 student visas in Shanghai during the peak summer season of April 1 to June 30 has more than tripled over the past two years from 75 in 2005 to 262 this year. This year's gain was the biggest yet - a whopping 100 percent increase over last year's total of 130 applicants. Not only had the numbers of young students increased, their visa issuance rates had also increased to nearly 70 percent this year, a 10 percent gain over last year and a 20 percent rise over 2005.

18. (U) What amazed the interviewers most about these students was the willingness and ability of their parents to finance two or three years of private high school tuition in the United

States--often followed by four more years in a U.S. college--at roughly USD 30,000 to 40,000 per year. In addition to the record number of full-time high school and middle school applicants, the number of students applying for short-term visitor visas had similarly grown. During this summer's peak student season, Shanghai interviewed 2779 B2 visitor visa applicants aged 17 and younger, a 72 percent increase over 2005 and massive 160 percent increase over 2004. This explosive growth continues to be one of the main drivers of the relentless increase in overall visa applications. The dramatic increase in the number of young Chinese heading to the United States for short-term visits has already yielded one very tangible result: a noticeable spike in the number of full-time student applicants who have already spent time in the United States.

The Taxi Index

¶9. (U) Traveling around the country--and especially around the consular district--over the last few months got us thinking about the significant regional differences in prices of basic commodities. Finding a common standard measure, however, proved difficult until we hit upon the basic taxi fare (while riding in a basic taxi). Since it combines many of the key factors defining the new Chinese economy--energy, high-value added manufacturing and a rapidly expanding service sector--we decided to create our own version of the Economist's legendary Big Mac index by charting the costs of the initial three kilometer taxi fare in several cities around the country.

The results:

Shanghai: 11 RMB (USD 1.45)
Hangzhou, Zhejiang Province: 10 RMB (USD 1.32)
Suzhou, Jiangsu Province: 10 RMB (USD 1.32)
Beijing: 10 RMB (USD 1.32)
Nanjing, Jiangsu Province: 8 RMB (USD 1.05)
Zhenjiang, Jiangsu Province: 7 RMB (USD .92)
Guangzhou: 7 RMB (USD .92)
Hefei, Anhui Province: 6 RMB (USD .79)
Xian: 6 RMB (USD .79)
Wuhu, Anhui Province: 5 RMB (USD .66)
Chengdu: 5 RMB (USD .66)

¶10. (U) Shanghai's top spot was no major surprise, but the second place rankings for Hangzhou and Suzhou indicate the

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continuing economic preeminence of East China, even when compared to other major cities across the country. We are not sure how accurately our index reflects the true cost of living in Shanghai, of course, but we will be sure to include the results in Post's next Cost of Living Allowance (COLA) survey.

¶11. (U) Regards from Shanghai.
JARRETT